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1958 annual report

The Babcock & Wilcox Company

Our Ninety-First Year

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N. K. FELDMAN, *Assistant Comptroller*
E. F. HORGAN, *Assistant Secretary*

General Offices 161 East 42nd Street, New York 17, New York

Stock Transfer Agent Bankers Trust Company,
16 Wall Street, New York 15, New York

Registrar The Bank of New York
48 Wall Street, New York 15, New York

General Counsel Sullivan & Cromwell

Auditors Price Waterhouse & Co.

Seventy-Eighth

Annual Report

for the year ended December 31,

1958

The Babcock & Wilcox Company

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1958 Highlights

	1958	**1957**
Per Share Issued[1]		
Net income for the year	$ 2.13	$ 2.69[2]
Cash dividends declared	1.00	.94
Stock dividends declared	1%	4%
Stockholders' equity	$26.47	$25.34
In Thousands of Dollars		
Orders received	$236,201	$306,072
Unfilled orders	237,479	367,219
Sales *(shipments)*	365,941	366,081
Income before income taxes and minority interest	28,951	35,075[2]
Net income for the year	13,035	16,456[2]
Cash dividends declared	6,107	5,753
Stock dividends declared	1,993	7,000
Expenditures for property, plant and equipment	18,162	13,708
Depreciation and amortization	7,013	6,779
Payrolls and employee benefits	143,307	145,849
Average number of employees during year	23,100	25,800
Number of stockholders at year end	17,815	14,860
Number of shares issued at year end	6,122,093	5,886,628

---

[1] Based on the shares issued at the end of 1958.

[2] Income for the year 1957 includes extraordinary profit realized from the sale of our minority interest in The Lummus Company. This amounted to $3,000,000 before taxes and $2,250,000 or 37 cents per share after taxes.

To the Stockholders of The Babcock & Wilcox Company

The Company's performance in the recession year of 1958 produced earnings which increased successively in each quarter, and total 1958 earnings were far better than could have been predicted on the basis of conditions prevailing in the first quarter. This improvement in earnings during the year resulted from a pickup in orders and shipments for some of our products as general industrial activity increased, and from a somewhat better return on our steam generating shipments.

If the present upturn in business conditions continues, earnings for 1959 will be satisfactory, even though total shipments for the year will be down because of the small volume of steam generating equipment ordered in 1957 and 1958. Boiler orders are expected to improve during the latter part of 1959. Because of the long lead time required for engineering and manufacturing large units, the effect of such orders on shipments and earnings will be small until 1961.

During the past year, many companies have made realistic reappraisals of their positions in atomic energy and several have severely curtailed their participation in this field. B&W's atomic activities, however, continue to grow because they are logical developments of our basic businesses. While some parts of this activity have begun to show a modest profit, over-all operations in atomic energy continue at a loss, although less than in previous years.

As you read the accompanying financial statements and review of current activities, you will receive a picture of a company that is continuing to expand through additions and improvements in plant and equipment, and by increased diversity of products and markets, while still maintaining a strong financial position.

FOR THE BOARD OF DIRECTORS

M. Nielsen.

President

New York, N. Y.
February 26, 1959

Financial Review

EARNINGS

	1958	1957
Net Income	$13,035,000	$16,456,000*
Shares Issued (end of 1958)	6,122,093	6,122,093
Earned per Share	$2.13	$2.69*

* Net income for 1957 includes $2,250,000 or 37 cents per share of extraordinary profit realized from the sale of our minority interest in The Lummus Company.

Although 1958 shipments of $365,941,000 were approximately the same as 1957, the income from operations fell off 9.8% to $29,707,000 largely because a larger proportion of shipments consisted of our less profitable products.

DIVIDENDS Cash dividends aggregating $1 per share were declared during 1958. In addition a 1% stock dividend was declared payable on January 21, 1959 to stockholders of record December 10, 1958.

ORDERS AND BACKLOG Since shipments of $365,941,000 considerably exceeded orders received, aggregating $236,201,000, unfilled orders were reduced from $367,219,000 on December 31, 1957 to $237,479,000 at the end of 1958. This was primarily because 1958 was a high point in shipments and a low point in orders of the highly cyclical steam generating business.

The figure representing unfilled orders for the company is never a very exact indicator of the volume of shipments or of the profit that will be made in the ensuing period. That is because some of our products have short delivery periods and increased sales of those products are soon reflected in shipments.

FINANCIAL POSITION The company continues to be in a strong financial position. During 1958 it was able simultaneously to finance both a very big volume of business and the largest capital expenditures in its history. Working Capital, which had increased by almost $45,000,000 in the preceding two years, largely through new financing, decreased by $5,265,000 during 1958, because capital expenditures were greater than the sum of depreciation and retained earnings. Working Capital should be ample to finance the company's business through 1960, making it unlikely that additional capital will be needed during that period.

PROPERTY, PLANT AND EQUIPMENT Expenditures for Property, Plant and Equipment during 1958 amounted to $18,162,000, which was about $2,240,000 greater than the highest previous year. Additions and improvements were made in all divisions of the company, the largest projects being an electric furnace steel mill for the Tubular Products Division and an office building to permit consolidation of Boiler Division functions.

At the end of the year $13,118,000 authorized by the Board had not been expended. In 1959 the investment in fixed assets will again be sizeable.

EMPLOYEES The company employed an average of 23,100 persons during 1958 and the payrolls and employee benefits totaled $143,307,000. The assets of the pension funds increased appreciably as may be seen from the following tabulation:

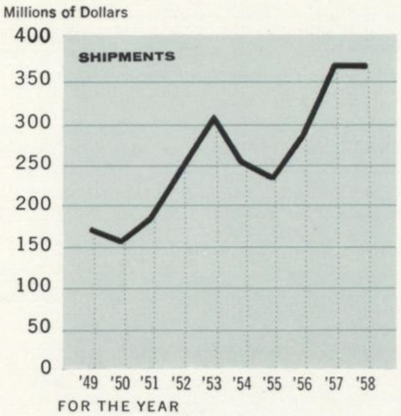
Total assets on January 1, 1958	$ 8,406,000
Contributions by company during 1958	4,106,000
Income from pension fund investments during 1958	349,000
Total	12,861,000
Less pensions paid during 1958	769,000
Total assets on December 31, 1958	$12,092,000

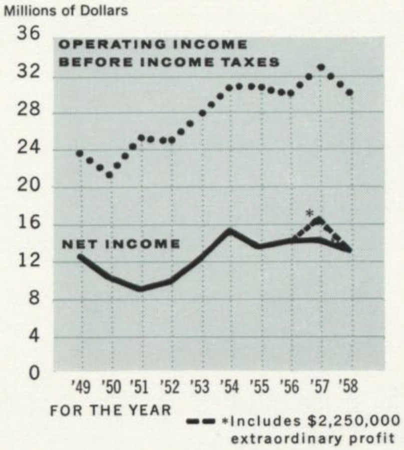
During the year the Board of Directors amended the Employee Retirement Plan to formalize benefits for employees with at least twenty years of service who are retiring because of permanent and total disability at age 50 or older.

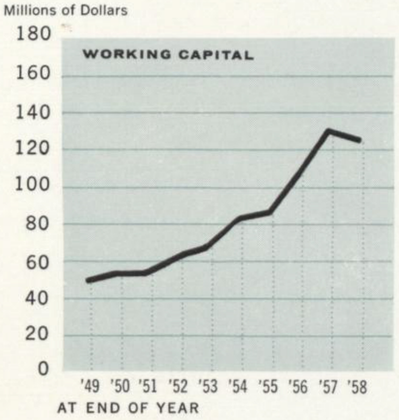
STOCK OPTION PLAN In 1958 the stockholders approved a stock option plan under which the Board of Directors may grant regular full-time employees of the company or its subsidiaries options to purchase up to 150,000 shares of the capital stock of the company (subject to adjustment for stock dividends, stock splits or other changes in the capitalization) at an option price of not less than 95% of fair market value on the date the option is granted. Options may be granted at any time on or before April 1, 1963 and the maximum number of employees to whom options may be granted is 40. On July 1, 1958 the Board, pursuant to such plan, granted to 14 persons options to purchase 40,500 shares at a price of $25.50 per share. All of these options were outstanding at the year end, none of them being exercisable until July 1, 1960; thereafter each option becomes exercisable in equal annual installments over the succeeding eight-year period ending June 30, 1968 or such shorter period as shall expire on June 30 of the year in which the grantee reaches age 65. Under the plan, only previously issued shares – and not unissued shares – of the company's capital stock may be used to meet the options. Accordingly, the company in 1958 acquired 40,500 shares on the open market, at an aggregate cost of $1,239,938, which sum is included in "Prepaid Expenses and Other Assets" in the Statement of Financial Condition.

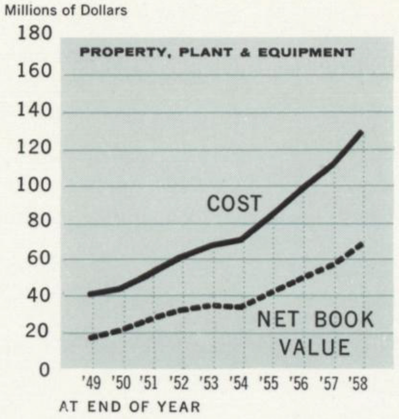
NUMBER OF STOCKHOLDERS Stockholders of record at the year end numbered 17,815, an increase of 20% during 1958 and 205% over the past five years.

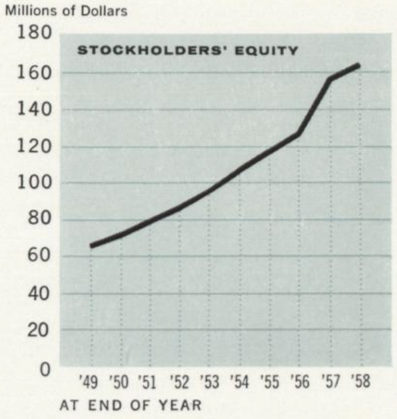
Trend Charts











1958 Income and Where It Went

Our Income Was	$365,941,000		From products shipped to customers
	462,000		From investment income
	$366,403,000		
We Paid Out and Provided	$183,402,000	50.1%	For materials and services purchased
	143,307,000	39.1	For wages, salaries and employee benefits
	18,152,000	4.9	For taxes
	7,013,000	1.9	For depreciation of plant and equipment
	1,218,000	.3	For interest on money borrowed
	276,000	.1	For minority interest in subsidiary company
	6,107,000	1.7	For cash dividends to stockholders
	6,928,000	1.9	For future growth (Stock dividend plus retained earnings)
	$366,403,000	100.0%	Total

Financial Statements

Consolidated Statement of Income and Retained Earnings for the Calendar Year 1958

(with comparative figures for the year 1957)

	1958	**1957**
Sales (shipments) on percentage of completion method for long-term contracts	$365,940,852	$366,081,492
Costs and expenses:		
Materials, payrolls, services and taxes other than U. S. and Canadian taxes on income	329,220,109	326,375,116
Depreciation of plants and equipment (includes amortization $1,894,196 in 1958 and $2,314,837 in 1957)	7,013,407	6,779,159
	336,233,516	333,154,275
	29,707,336	32,927,217
Income from investments	461,934	385,781
Interest expense (deduct)	(1,217,705)	(1,238,392)
	28,951,565	32,074,606
U. S. and Canadian taxes on income	15,640,000	17,630,000
	13,311,565	14,444,606
Income applicable to minority interest (deduct)	(276,255)	(238,657)
Net income for the year exclusive of extraordinary gain	13,035,310	14,205,949
Gain on sale of The Lummus Company capital stock, less related U. S. taxes ($750,000)		2,250,000
Net income for the year	13,035,310	16,455,949
Dividends declared:		
Cash	6,107,043	5,752,841
Stock (1% or 61,220 shares in 1958 and 4% or 235,465 shares in 1957 at $32.55 and $29.73 per share respectively)	1,993,000	7,000,000
	8,100,043	12,752,841
Remainder added to retained earnings	4,935,267	3,703,108
Retained earnings at beginning of year	74,782,142	71,079,034
Retained earnings at end of year (see note)	$ 79,717,409	$ 74,782,142

NOTE: The payment or declaration of cash dividends on the company's stock is restricted under the provisions of the Note Agreements covering $32,000,000 principal amount of promissory notes dated June 1, 1956. Pursuant to such Note Agreements, retained earnings in the sum of $35,141,000 were unrestricted at December 31, 1958.

Consolidated Statement of Financial Condition at December 31, 1958

(with comparative figures at December 31, 1957)

	1958	1957
CURRENT ASSETS		
Cash	$ 11,764,419	$ 12,872,607
Marketable securities, at cost (approximate market)	11,686,252	4,728,675
Accounts receivable	52,513,786	45,686,528
Unbilled shipments and installations, at contract prices	29,532,741	20,200,062
Inventories, at lower of cost or market	76,938,853	104,504,197
Advance payments on contracts (deduct)	(11,226,012)	(12,167,611)
TOTAL CURRENT ASSETS	171,210,039	175,824,458
CURRENT LIABILITIES		
Accounts payable	12,991,421	10,837,615
Accrued liabilities	15,435,668	14,921,840
Cash dividends payable	1,520,398	1,471,657
Provision for additional costs on contracts	3,912,989	3,315,571
U. S. and Canadian income taxes	12,312,015	14,975,449
TOTAL CURRENT LIABILITIES	46,172,491	45,522,132
WORKING CAPITAL	125,037,548	130,302,326
INVESTMENTS, at cost	603,521	603,621
PROPERTY, PLANT AND EQUIPMENT (schedule attached)	67,867,405	56,741,383
PREPAID EXPENSES AND OTHER ASSETS (1958 includes cost of 40,500 shares of the company's stock acquired for stock options – see page 5)	1,890,211	734,053
PATENTS	1	1
WORKING CAPITAL AND OTHER ASSETS	195,398,686	188,381,384
DEDUCT		
Eighteen-year notes due June 1, 1974; $23,000,000 at 3⅞%, $9,000,000 at 3⅝% (requiring certain annual prepayments commencing in 1961)	32,000,000	32,000,000
Minority interest in subsidiary company	1,349,850	1,260,815
NET ASSETS	$162,048,836	$155,120,569
REPRESENTED BY		
Capital stock, par value $9 per share; authorized 9,000,000 shares; issued 6,122,093 shares (including $25,239,590 excess over par value – capital surplus)	$ 80,338,427	$ 80,338,427
1% or 61,220 shares stock dividend paid January 1959 (including $1,442,020 excess over par value – capital surplus)	1,993,000	
Retained earnings (see note page 7)	79,717,409	74,782,142
	$162,048,836	$155,120,569

Consolidated Statement of Property, Plant and Equipment

(with comparative figures at December 31, 1957)

	1958	1957
COST		
At beginning of year	$110,291,623	$ 97,311,754
Expenditures during year	18,161,651	13,708,017
Retired or sold during year	(652,525)	(728,148)
At end of year	127,800,749	110,291,623
DEPRECIATION AND AMORTIZATION		
At beginning of year	53,550,240	47,481,404
Charged to operations during year	7,013,407	6,779,159
Accumulated on property retired or sold during year	(630,303)	(710,323)
At end of year	59,933,344	53,550,240
Net book value	$67,867,405	$ 56,741,383

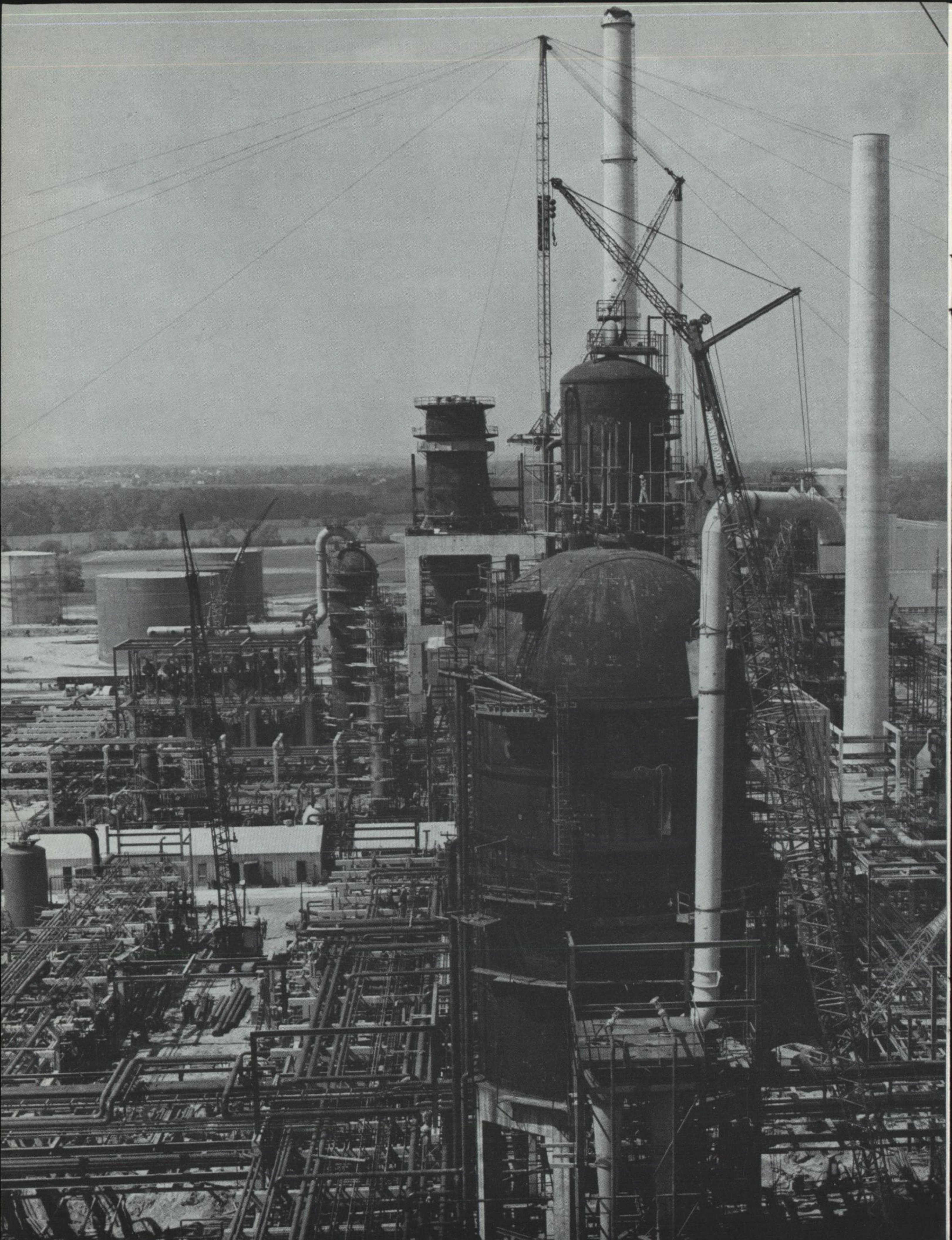
Opinion of Independent Public Accountants

TO THE BOARD OF DIRECTORS OF
THE BABCOCK & WILCOX COMPANY:

In our opinion, the accompanying statements present fairly the consolidated financial position of The Babcock & Wilcox Company and its subsidiaries at December 31, 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

New York, N. Y.
February 25, 1959


MANITOWOC

A Diversified Company

When George Babcock and Stephen Wilcox established their partnership in 1867 it was based on the same philosophy that has enabled the company to flourish ever since: the diligent searching out of various energy needs of industrial America and the development of economical, high quality products to meet them.

It has been that kind of thinking that led to company growth and expansion by broadening its range of markets as well as its range of products. As B&W researchers and engineers devised better and better component materials and equipment for the company's own products, they saw markets develop which were separate and independent from the market for steam generating equipment: other industries were seeking superior components too.

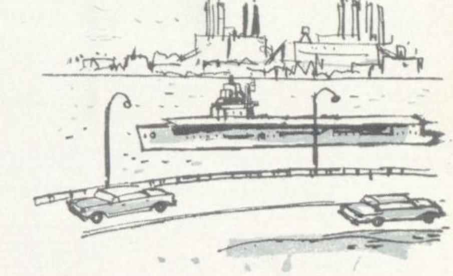
The Tubular Products and Refractories Divisions were both developed primarily to improve the quality of B&W boiler materials – yet today, most of their output is sold to such diverse industries as petroleum, chemical, steel, automotive and ceramics.

Bailey Meter Company and Diamond Power Specialty Corporation – B&W subsidiaries originally acquired as steps toward diversification in the power field – are continuously finding new markets and developing new products.

B&W was immediately able to assume a major position in atomic energy only because of the range of skills and equipment it had gained through diversification. That achievement also highlights management's ability to mobilize the company's many talents and facilities to meet new and challenging problems.

Perhaps nothing symbolizes better the integrated diversity of B&W than its Erection Department. Actually one of America's largest and most efficient specialty construction organizations, this unit can and does take on the assembly of all of the company's equipment and products any place in the world – projects as complex as the erection of boilers as high as the Statue of Liberty, or the assembly of atomic energy reactors and components.

The following pages tell in greater detail about current operations and future plans for each of our divisions and subsidiaries.



◁ *Where industry grows you'll find B&W – filling many strategic needs. Nearly every division and subsidiary for example, contributes to petroleum refineries, such as the one shown under construction here.*

Boiler Division

Boiler Division shipments were high in 1958 – and considerably exceeded new orders, which fell off, following the cyclical pattern of buying in the utility industry.

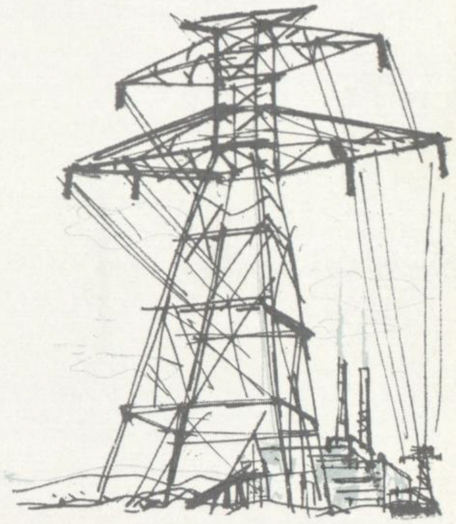
It is expected that sales of utility boilers will begin to increase in the last half of 1959. Because these large units require eighteen months or longer to engineer and manufacture, such orders will have no material effect on shipments and earnings until 1961.

The sixth of B&W's Universal Pressure boilers has been sold and it is expected that this advanced equipment will continue to gain acceptance as the trend toward higher steam pressures and temperatures progresses. Two new industrial boiler designs were introduced during the year: the PFI (Power for Industry) boiler is an economical oil and gas fired unit with a steam capacity of 100,000 to 400,000 pounds per hour. The range of completely shop-assembled units was increased with the development of the "FO" package boiler. It is now possible for purchasers to obtain package units for capacities from as low as 6000 to over 100,000 pounds per hour.

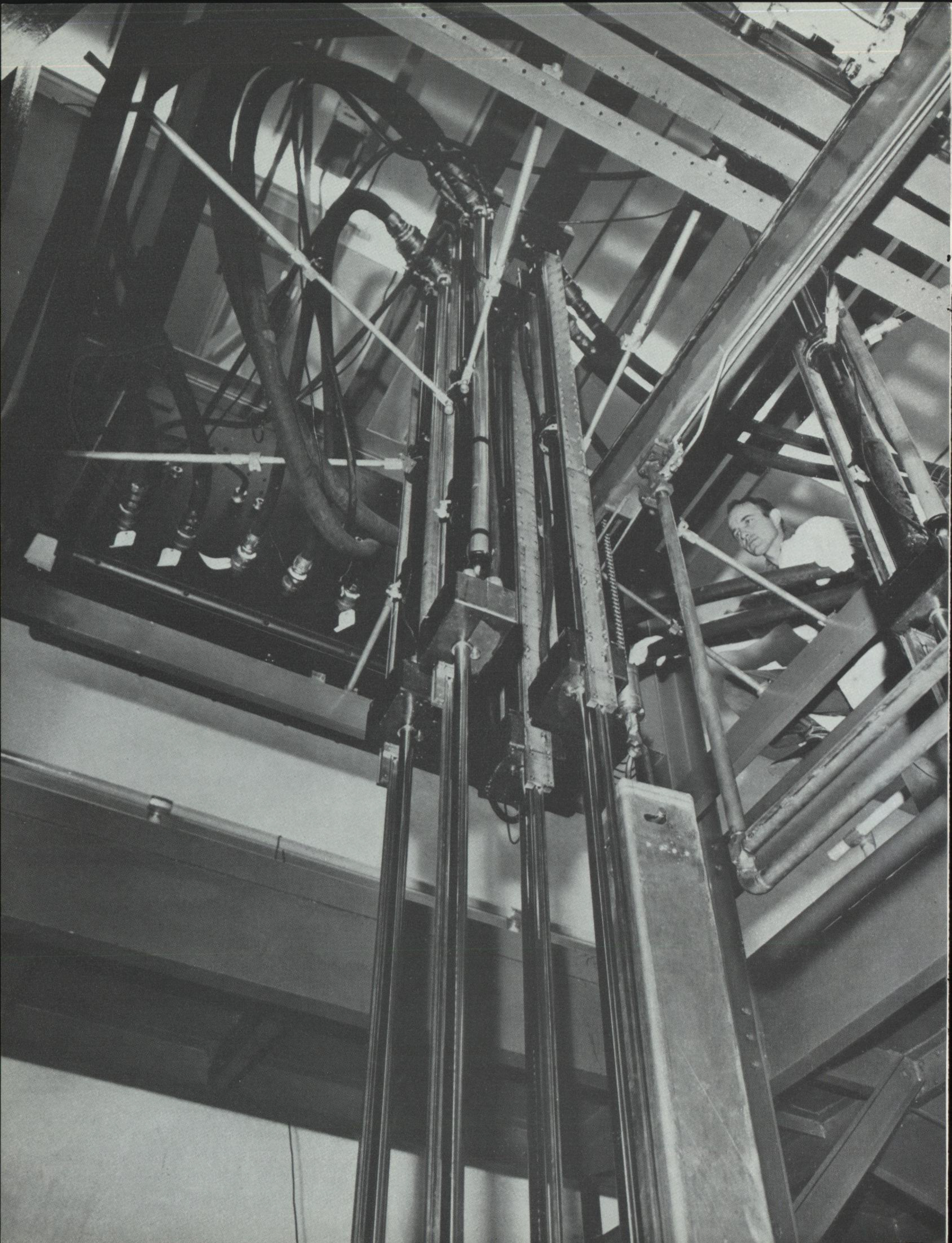
In the field of special industrial applications, several important installations were completed during 1958, including the largest single unit ever built employing the magnesium bisulfite process of heat and chemical recovery for the pulp and paper industry.

The Boiler Division is heavily engaged in many basic aspects of atomic energy, including production of components such as fuel elements, reactor cores and pressure vessels and steam generators. Because the fabrication of atomic components requires extreme precision and cleanliness, a "clean room" building, which is essentially dust-free, was constructed at the Barberton Works.

Operations of the division have been made more efficient with the consolidation of executive, sales, and engineering headquarters at Barberton, Ohio, site of the division's largest manufacturing plant. A new office building has been constructed and houses the headquarters of the division.



◁ *This massive flange – two and one-half feet thick – is part of the reactor vessel for the Nuclear Ship* Savannah. *It is typical of the size of many nuclear and boiler components made in Barberton.*



Atomic Energy Division

Considerable progress was made by the Atomic Energy Division, during 1958, on the two major power reactor projects under contract.

Necessary critical experiments for setting design have been satisfactorily completed at the Lynchburg, Va. test facility for the first of these projects, Consolidated Edison Company's Thorium Converter Reactor. Preparatory work on the site at Indian Point, N. Y. has been progressing at an excellent rate for over a year and the first components are scheduled for delivery late in 1959.

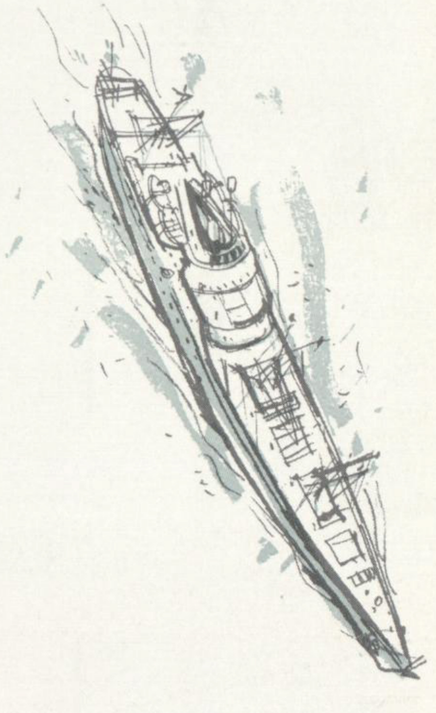
Critical experiments have also been conducted and all of the major design decisions have been made on the second project, the power plant for the Nuclear Merchant Ship *Savannah*. The reactor vessel, fuel elements, and heat exchangers are all in fabrication. The division is also conducting a training program for the officers and men responsible for operating the nuclear portion of the ship. This is being done under a cost reimbursement type contract with the Atomic Energy Commission.

Work is also progressing on another A.E.C. cost reimbursement type contract known as the Liquid Metal Fuel Reactor Experiment. The project's goal is to determine the economics and practicality of a large power reactor of this type.

B&W's third swimming pool research reactor went critical during 1958, in Hamburg, Germany. It is similar to the B&W reactors already in service at the University of Michigan and the University of São Paulo, Brazil.

During the year a new testing facility incorporating unique research tools was added to the Critical Experiment Laboratory, making it possible to study the behavior of new reactor designs and experimental fuel loads at the operating temperatures and pressures of power reactors. A low power reactor, which supplies neutrons, is a vital part of the facility.

A range of investigations is also being pursued by the Atomic Energy Division – from methods of improving fuel elements and cores to new concepts such as the gas suspension reactor – all directed toward the development of more economical nuclear plants.



◁ *Test fuel elements being loaded into reactor critical experiment assembly. B&W's Critical Experiment Laboratory is extensively equipped for the precision testing so fundamental to nuclear work.*

Tubular Products Division

While shipments of tubing reflected the reduced tempo of industrial activity in 1958, the fourth quarter showed a slight gain over the same period a year ago. Tubular products business closely parallels that of the steel industry, and since a general upturn is forecast for 1959, prospects for the division are better than they were in 1958.

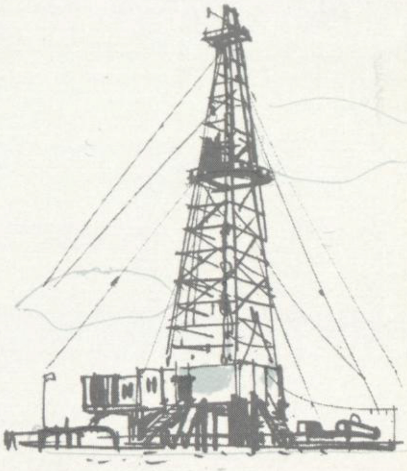
Several operational improvements and economies have been effected, including the installation of a high speed communications system which links all offices of the division for faster and more accurate service to customers.

As part of a constant drive for better product quality, ultrasonic testing equipment was put in operation a year ago and, partly because of this improvement, the petroleum industry has increased its acceptance of electric resistance welded tubing for refineries and petrochemical plants. The modernization of the Milwaukee plant has made it one of the finest facilities of its kind and full expectations for increased efficiency were realized in 1958. Economies in scheduling have been effected and both product quality and service to customers have been improved.

Construction of the $14,000,000 steel mill at Koppel, Pa., started in late 1957, is ahead of schedule. As a result, the division will be able to produce a greater variety of alloy and stainless steel products during the third quarter of 1959, and broaden its market for certain grades and sizes of tubing and extrusions.

A $2,000,000 plant for the production of welding fittings and flanges has been under construction since August 1958. Also located in Koppel, the new plant will permit greater efficiency in the division's welding fittings manufacturing and will enable it to make a complete fittings line.

In addition to the large tonnage industrial demand, B&W tubular products find their way into many special applications. They are depended upon by record-breaking jet airliners and the world's deepest oil well, in rockets for the nation's defense and as the center post in thousands of washing machines. Many are engineered especially for their end use and must undergo exacting tests. Nearly all require the extraordinary skill for which the Tubular Products Division is noted.



◁ *Tapping one of the division's several electric arc furnaces — first step in fabricating tubing and extrusions. By making its own special alloy steels, B&W controls quality from the beginning.*

Refractories Division

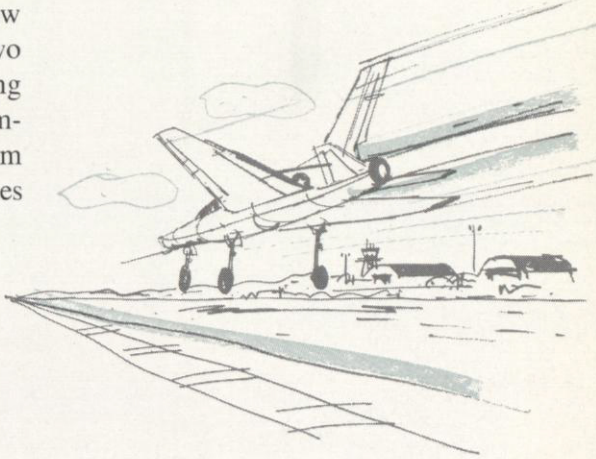
Though the Refractories Division held its relative position during 1958 in a highly competitive industry, it nevertheless felt the slowdown of general industrial activity. Business improved somewhat during the last quarter of 1958 and indications are that 1959 will see a greater demand.

During 1958 the division's technical and production personnel concentrated considerable effort on increasing production rates, improving operating efficiency, and achieving still better uniformity and quality of product. Full benefit of these activities will be realized with a return to normal levels of output.

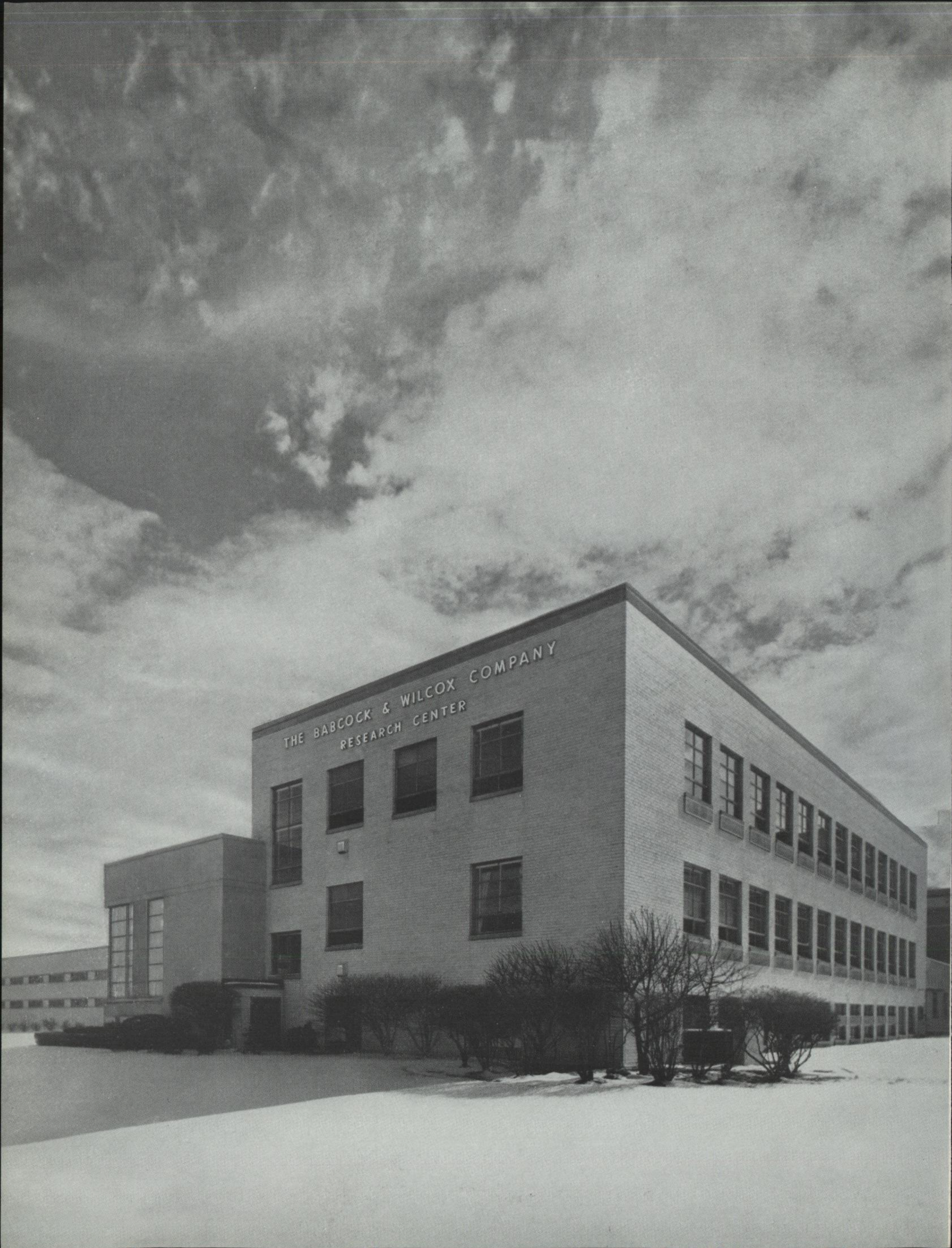
A typical example of increased mechanization is a completely automatic packaging line for insulating firebrick. Full scale operation of the new automatic production unit for the manufacture of refractory specialties such as castables, mortars and ramming mixes was also realized in 1958. Extensively equipped with electronic controls, it is the only unit of its kind in the industry.

Additional steps have been taken toward increasing the division's marketing efficiency to achieve better and more complete coverage. The packaging of all products has been modernized. In the case of insulating firebrick, where ease of handling is an important customer requirement, the container incorporates a ripcord tape which, when pulled, provides a convenient dispensing tray for the brick.

The Refractories Division's extensive product development programs aimed at solving major industrial problems in application and use of refractories, continued during the year. Various new and improved products were introduced in 1958, including two new castables and a special high temperature mortar. Interesting new applications are also being made of the division's high temperature ceramic fiber, Kaowool, in such uses as insulation for steam turbines, flexible expansion joints in high temperature furnaces and insulation of jet engine tail pipes.



◁ *The Refractories Division specializes in problems in the control and containment of heat. Silicon carbide rolls at left withstand the high temperatures and severe service demands of a steel mill heating furnace.*


THE BABCOCK & WILCOX COMPANY
RESEARCH CENTER

Research and Development Division

An active research and development program is a continuing and fundamental requirement of all operating divisions and subsidiaries of the company. B&W's modern facilities at our Research Center in Alliance, Ohio bring together in one place the specialized talents of many scientists and engineers and provide a broader perspective for both divisional and inter-related research activities on materials, processes and product development.

Conventional fuels such as coal, oil and gas will continue to be main energy sources for generating electricity for several decades to come. Leaders of the utility industry forecast that as much as 80 per cent of the new capacity installed in the next twenty years will utilize such fuels, with coal predominating. For that reason, the company is constantly seeking to improve its ability to make larger, more economical coal, oil and gas-fired steam generating units. To assist in this, the Research and Development Division is called upon to make studies in metallurgy, fluid flow, heat transfer and combustion.

At the same time, a large share of the work at the Research Center is devoted to atomic energy programs. Investigations for the manufacture of reactor cores have been directed toward reducing costs and increasing reliability of operation. Improvements which have been achieved with the use of nuclear fuels in oxide form and the development of new and improved manufacturing processes constitute further steps toward economical power from nuclear energy. Research and development on the Liquid Metal Fuel Reactor Experiment have been pursued intensively during the year, and important engineering problems have been solved.

The Research and Development Center incorporates one of the largest high-temperature metal testing facilities in the country. Creep and creep-rupture testing programs on materials for manufacture of high-temperature tubular products continue to provide valuable data on the development and application of tubing and pipe for service under extreme conditions.

◁ *Combustion, metallurgy and atomic energy are only a few of the many fields essential to the company's progress which are under advanced study at the Research Center.*

IBM

Finance and Accounting Division

This division, as a service organization, provides a means of control for the management of the company through financial planning. This requires the conversion of the short and long term plans of the company's other divisions and subsidiaries into the amount of funds needed to attain desired objectives.

The division is responsible for relations with banks and investment houses through whom permanent capital or temporary loans are obtained. Also within the scope of its responsibilities are the extension of credit, the collection of accounts, the payment of bills and the custody of funds and securities.

The establishment of all accounting policies and procedures is also a function of the Finance and Accounting Division, as are the recording of all transactions to determine the corporate income and financial position and the preparation and interpretation of all financial reports that are the basis for obtaining funds or of making reports to management and stockholders. The division also handles the establishment of internal auditing of corporate activities, the relationship with tax agencies and independent accountants and the continuous review of other corporate departments, a function conducted by the division's systems and procedures section.

The Finance and Accounting Division is always seeking new and better methods and equipment. For instance, in 1958 it installed at the headquarters of the Tubular Products Division, electronic data processing equipment which speeds the obtaining of financial information, sales analyses and operating control statistics. The computer thus has released accountants for more intensive analysis of operating data. In addition, it provides better control and prepares reports not obtainable in the past because of the inability to summarize rapidly great quantities of data.

◁ *Modern equipment such as this electronic computer speeds handling of procedures in the increasingly complex accounting work of the company.*

PATENT
DEPT

Staff Division

The growth of B&W in recent years and the increasing complexity of its activities have been accompanied by a need in all operating divisions for counsel and services in a number of specialized areas. To provide such assistance promptly, effectively and without duplication of effort, the company has grouped employees trained in these areas into a Staff Division.

The inventions of George Babcock and Stephen Wilcox were the cornerstone in the founding of B&W. Innovations by the many B&W inventors who followed contributed significantly to its continuing leadership. The protection of these engineering advances is the responsibility of the Patent Department, a part of the Staff Division. Combining the skills of the legal and engineering professions, this department has been helpful in gaining B&W the rank of 53rd in the number of U.S. patents granted corporations from 1939 to 1955.

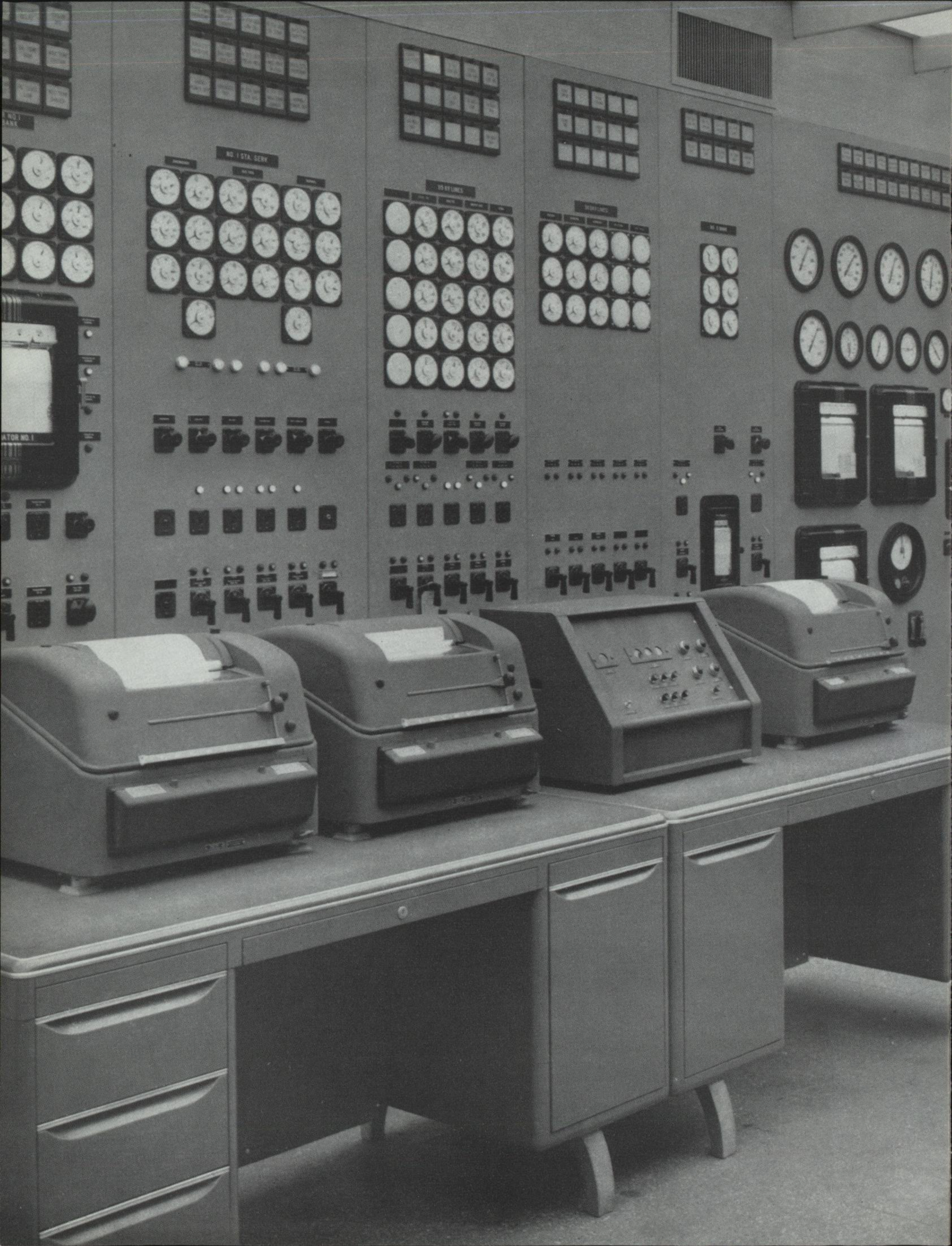
Consistent with B&W's belief that its people are its most valuable asset, Staff Division has trained specialists working in various phases of employee relations: recruiting, training and development; wage and salary administration; and personnel and labor relations. Continuous attention is devoted to development and utilization of each employee's talents.

Personnel of Staff's Public Relations Department, in their publicity and advertising, work closely with company executives and engineering and sales personnel to assist in transmitting information to potential customers, to stockholders, to the financial community, and to the public in general.

Staff also provides specialists for coordination of company purchasing; for administration of special agreement requirements; for centralized handling of insurance matters; and for guidance in general practices of office operation and management.

The responsibilities of Staff Division do not end with guidance and assistance; just as often it delivers a complete "product." This may be a thorough study of corporate aid-to-education programs, a booklet on a new product, an important patent on a new boiler design, or a group of young engineering graduates.

◁ *Staff specialists discuss a patent application on an advancement in boiler design. Consultation and guidance in special fields are important services of the Staff Division to others throughout the company.*


NO. 1 STA. SERV

Bailey Meter Company

(A Subsidiary Company)

Shipments by the Bailey Meter Company in 1958 reached a new high in dollar volume, reflecting continued acceptance of the company's products in the field of steam power generation, as well as successful diversification in the application of its instruments and controls to industrial processes.

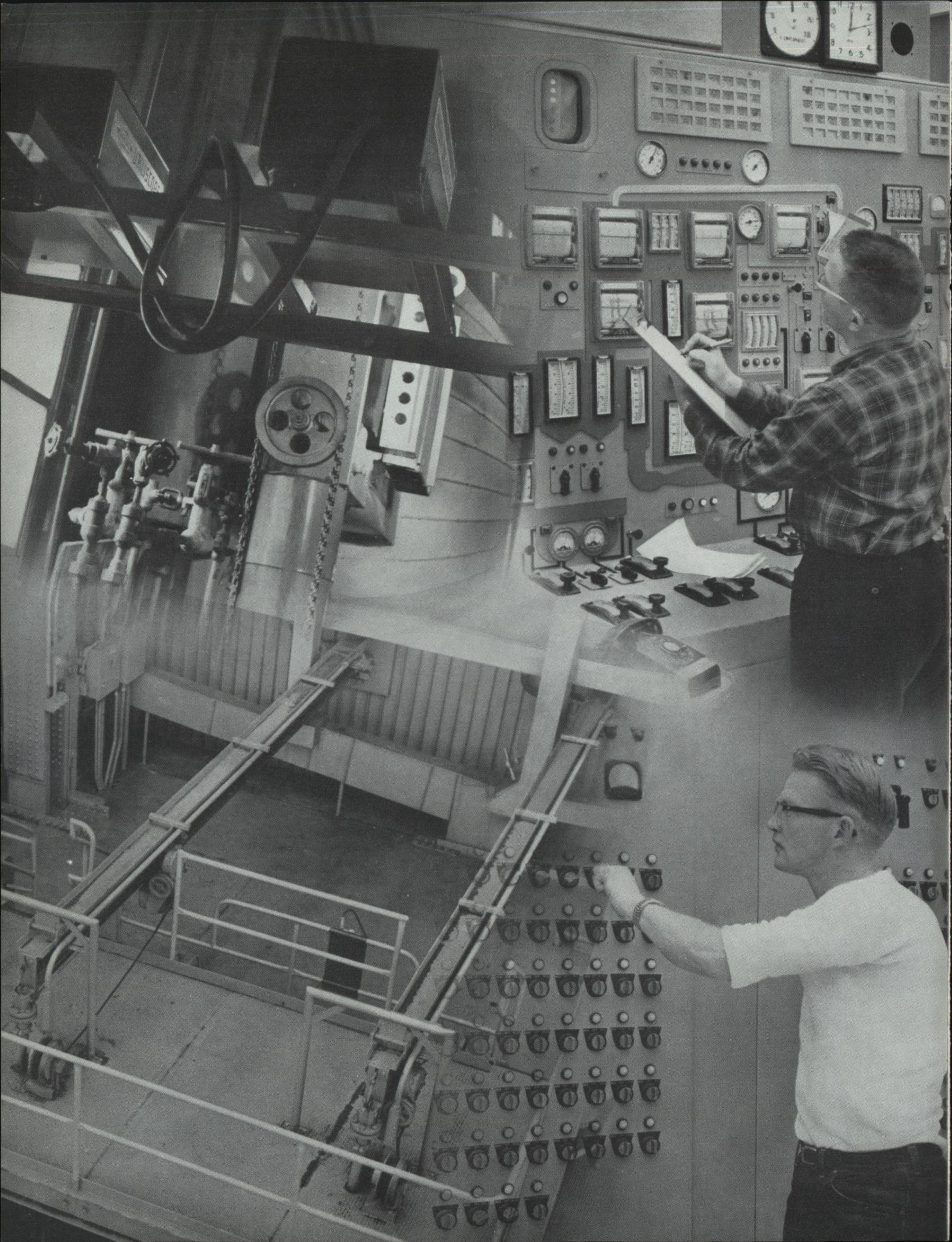
Long a supplier to the steam power field, Bailey has concentrated additional sales and engineering efforts during recent years on process control. This diversification has been rewarding in that an increasing percentage of business is in products sold for uses other than in the steam plant.

Because of its extensive experience, on the one hand, and the exacting requirements of nuclear installations on the other, Bailey has been a prime factor in atomic energy from its inception. In 1958 Bailey Meter was awarded the contract for all instruments and controls in the Enrico Fermi Atomic Power Plant – now under construction at Monroe, Michigan – for which it will supply nuclear instruments and safety systems as well as conventional metering equipment.

Increasing reliability of performance with less manpower, Bailey Metrotype information systems are now serving power and process industries by automatically collecting and logging performance data at regular intervals. These data are printed on log sheets or put on tape for use in computers. Between logs all measurements are scanned and an alarm calls attention to any off-normal readings.

Bailey Performance Monitors have been ordered to check the over-all performance of steam-electric units in seven power stations. These are actually analog computers which continuously test the boiler-turbine units to which they are applied and give valuable information for determining the most economical loading of these units. Instant calculation of results gives unit performance in the form of immediately useful news rather than history.

◁ *Rapid determination of economical loading of turbo-generator units can mean big savings for utility systems. These Bailey Performance Monitors analyze operations quickly to make such savings possible.*



Diamond Power Specialty Corporation

(A Subsidiary Company)

Shipments of Diamond Power products established a new high mark in 1958. Sales, which follow the cyclical pattern of steam generating equipment, declined during the year, with a resultant decrease in backlog. In the company's Electronics Division, both orders and shipments increased, and indications at this time point to further increases in 1959.

Sootblowers and gauges continue to represent a major share of the company's activities. During the past year, research and development have been devoted mainly to simplifying manufacturing and further improving product reliability. New concepts developed through research have resulted in a completely automatic sootblower system, actuated by boiler performance. Requiring no human manipulation or supervision, it provides reliable and efficient operation at less cost.

As a part of the program to develop and broaden the market for its products, the Electronics Division designed and sold a number of continuous water sample evaporators, which are used in preparing samples for analysis. Originally designed for use with super-critical pressure boilers, it is expected that these instruments will find increasing use in other fields.

Activities of the company were further diversified by entering the field of atomic energy with the design and construction of reactor control rod drives, and increased activity in the atomic field is planned for 1959.

Closed circuit TV, while still a small part of Diamond's volume, is finding varied and interesting applications. It serves well in X-ray work, in banking, and on machine tools and atomic energy installations where remote or inaccessible objects must be seen.

An extension of Diamond's main office building at Lancaster, Ohio to accommodate expanded engineering, sales, and service facilities was completed and occupied in 1958, and many office functions were mechanized.

◁ *This composite photo shows Diamond products in a power plant. TV camera (top left) transmits picture of water gage to screen in control room (top right) which is often 12 to 15 stories below. Control panel (lower right) regulates soot blowers such as shown at lower left.*

A.M. LOCKETT & COMPANY LTD.
WORTHINGTON CORPORATION
THE BABCOCK & WILCOX COMPANY

A. M. Lockett & Co., Limited

(A Subsidiary Company)

A. M. Lockett & Co., Limited represents Babcock & Wilcox in the middle south section of the country. It is responsible for B&W sales, erection and service in its area which comprises the states of Mississippi, Louisiana, Arkansas, Oklahoma, part of Alabama, and most of Texas. Lockett also acts in this area as agent for other manufacturing organizations.

To accomplish sales and installation work, the company has built up an effective engineering organization which assists both customers' engineering staffs and consulting engineering firms. Typical of such activities was the recent sale of a special type boiler to one of the world's largest oil refineries which is located in Texas. Particularly interesting because it is designed to operate on hot combustible gases that are ordinarily wasted, this CO boiler, now being erected by Lockett, generates steam by utilizing these gases as they come from the refinery's catalytic cracking process.

It was Lockett which sold, and is now erecting at Dallas, Texas, the first PFI (Power For Industry) boiler, a new design which B&W put on the market during 1958.

With headquarters in New Orleans, the company has district offices in Dallas and Houston, plus branches in eleven other strategic cities throughout the area. An important addition to these facilities, made necessary by the extent of its warehousing operations, is a 33,000 square foot warehouse with modern 9,000 square foot office, built just outside Houston. Significant improvements in efficiency and economy of operations were realized from this facility during 1958, the first full year of its operation.

◁ *Keeping pace with the industrial growth of the southwest, this 42,000 square foot office and warehouse at Houston is a recent addition to Lockett facilities.*

Ten Year Comparison of Financial Condition at December 31st

(in thousands of dollars)

	1958	1957	1956
CURRENT ASSETS			
Cash	$ 11,764	$ 12,873	$ 14,578
Marketable securities	11,686	4,729	1,999
Accounts receivable	52,514	45,686	39,394
Unbilled shipments and installations	29,533	20,200	10,161
Inventories	76,939	104,504	91,486
Advance payments on contracts (deduct)	(11,226)	(12,168)	(9,427)
TOTAL CURRENT ASSETS	171,210	175,824	148,191
CURRENT LIABILITIES			
Notes payable to banks			
Accounts payable	12,991	10,838	12,270
Accrued liabilities	15,436	14,922	12,186
Cash dividends payable	1,520	1,472	1,286
Provision for additional costs on contracts	3,913	3,315	1,762
U. S. and Canadian income taxes	12,312	14,975	13,867
TOTAL CURRENT LIABILITIES	46,172	45,522	41,371
WORKING CAPITAL	125,038	130,302	106,820
INVESTMENTS	604	604	1,600
PENSION RESERVE INVESTMENTS			
PROPERTY, PLANT AND EQUIPMENT	67,867	56,741	49,830
PREPAID EXPENSES AND OTHER ASSETS	1,890	734	1,058
WORKING CAPITAL AND OTHER ASSETS	195,399	188,381	159,308
DEDUCT:			
Long term debt	32,000	32,000	32,000
Reserve for pensions			
Minority interest in subsidiary companies	1,350	1,261	1,158
NET ASSETS	$162,049	$155,120	$126,150
REPRESENTED BY			
Capital including capital surplus	$ 80,339	$ 73,338	$ 46,311
Stock dividends paid January following year	1,993	7,000	8,760
Retained earnings	79,717	74,782	71,079
	$162,049	$155,120	$126,150

Ten Year Comparison of Property, Plant and Equipment

(in thousands of dollars)

	1958	1957	1956
COST			
At beginning of year	$110,291	$ 97,311	$ 82,215
Expenditures during year	18,162	13,708	15,921
Retired or sold during year	(653)	(728)	(825)
At end of year	127,800	110,291	97,311
DEPRECIATION AND AMORTIZATION			
At beginning of year	53,550	47,481	41,558
Charged to operations during year	7,013	6,779	6,699
Accumulated on property retired or sold during year	(630)	(710)	(776)
At end of year	59,933	53,550	47,481
NET BOOK VALUE	$ 67,867	$ 56,741	$ 49,830

Note: 1952 and prior figures have been restated to include subsidiaries not consolidated in the published reports for those years.

1955	1954	1953	1952	1951	1950	1949
$ 14,184	$ 20,121	$ 9,062	$ 6,785	$ 8,324	$ 9,479	$ 15,336
8,805	7,268	1,550	1,950	1,595	8,900	2,186
34,198	39,277	43,886	42,560	32,666	24,913	27,253
10,925	17,758	20,638	17,597	8,528	12,934	10,889
56,996	40,975	56,902	56,768	49,904	25,694	23,893
(2,232)	(2,649)	(2,069)	(13,887)	(9,381)	(3,441)	(3,544)
122,876	122,750	129,969	111,773	91,636	78,479	76,013
		20,500	10,000	3,000		
9,394	11,413	12,833	11,240	9,197	6,182	7,563
9,045	9,002	10,922	9,085	7,675	5,949	4,813
1,225	778	741	706	706	706	2,822
2,803	4,000	2,500	2,500	2,500	2,500	2,500
15,109	16,588	15,560	14,770	16,292	11,008	10,224
37,576	41,781	63,056	48,301	39,370	26,345	27,922
85,300	80,969	66,913	63,472	52,266	52,134	48,091
1,600	1,603	2,177	2,194	2,202	2,201	2,227
	2,250	2,250	2,250	2,200	2,200	1,700
40,657	34,289	35,816	32,748	26,364	20,140	17,890
748	566	397	505	601	378	268
128,305	119,677	107,553	101,169	83,633	77,053	70,176
10,000	10,000	10,000	10,000			
	2,250	2,250	2,250	2,200	2,200	1,700
1,091	1,049	1,025	3,739	3,240	2,879	2,587
$117,214	$106,378	$ 94,278	$ 85,180	$ 78,193	$ 71,974	$ 65,889
$ 38,760	$ 34,260	$ 31,450	$ 29,097	$ 29,097	$ 29,097	$29,097
7,470	4,500	2,810	2,353			
70,984	67,618	60,018	53,730	49,096	42,877	36,792
$117,214	$106,378	$ 94,278	$ 85,180	$ 78,193	$ 71,974	$ 65,889
$ 70,117	$ 67,177	$ 60,183	$ 50,893	$ 42,889	$ 39,574	$ 36,222
12,640	3,792	7,493	9,684	8,455	4,030	4,222
(542)	(852)	(499)	(394)	(451)	(715)	(870)
82,215	70,117	67,177	60,183	50,893	42,889	39,574
35,828	31,361	27,435	24,529	22,749	21,684	21,002
6,249	5,234	4,410	3,289	2,078	1,747	1,455
(519)	(767)	(484)	(383)	(298)	(682)	(773)
41,558	35,828	31,361	27,435	24,529	22,749	21,684
$ 40,657	$ 34,289	$ 35,816	$ 32,748	$ 26,364	$ 20,140	$ 17,890

Ten Year Comparison of Income and Retained Earnings

(in thousands of dollars)

	1958	1957	1956
Sales (shipments)	$365,941	$366,081	$281,485
COSTS AND EXPENSES			
Materials, payrolls, services and taxes other than federal taxes on income	329,221	326,375	244,890
Depreciation and amortization	7,013	6,779	6,699
	336,234	333,154	251,589
Income from operations	29,707	32,927	29,896
Income from investments	462	386	562
Interest expense (deduct)	(1,218)	(1,238)	(854)
	28,951	32,075	29,604
U. S. and Canadian taxes on income	15,640	17,630	15,320
	13,311	14,445	14,284
Income applicable to minority interest (deduct)	(276)	(239)	(203)
Provision for pension reserve (deduct)			
Extraordinary gain less related taxes		2,250	
Net income for the year	13,035	16,456	14,081
DIVIDENDS DECLARED			
Cash	6,107	5,753	5,146
Stock – 1% in 1958, 4% in 1957 and 1956, 5% in other years	1,993	7,000	8,760
	8,100	12,753	13,906
Remainder added to retained earnings	4,935	3,703	175
Retained earnings at beginning of year	74,782	71,079	70,984
Transfer to capital stock			(80)
Transfer from pension reserve			
Retained earnings at end of year	$ 79,717	$ 74,782	$ 71,079

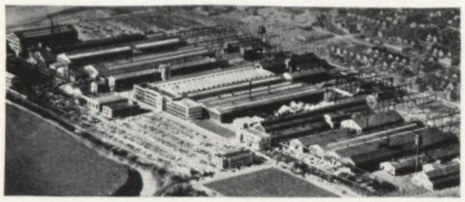
Statistics

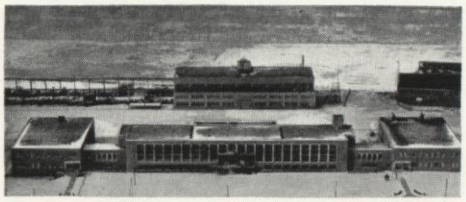
	1958	1957	1956
Per share issued (adjusted for stock dividends and stock splits – 6,122,093 shares in 1958 and 1957 and 5,565,539 in previous years)			
Income for year	$ 2.13	$ 2.69	$ 2.53
Cash dividends declared	1.00	.94	.92
Stockholders' equity	26.47	25.34	22.67
Income from operations before taxes – % of sales	8.1%	9.0%	10.6%
Net income for year – % Net worth first of year	8.4%	13.0%	12.0%
Orders received – thousands of dollars	$236,201	$306,072	$495,257
Unfilled orders – thousands of dollars	$237,479	$367,219	$427,228
Shares issued during year: Stock dividend	235,465	205,826	81,677
Stock split			3,430,436
Stock sold		535,148	
Shares issued end of year	6,122,093	5,886,628	5,145,654

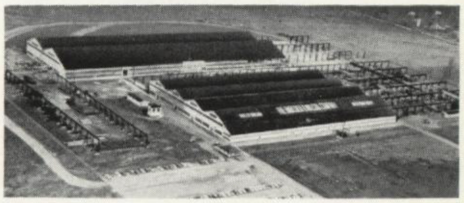
1955	1954	1953	1952	1951	1950	1949
$233,291	$250,471	$305,746	$241,267	$182,025	$154,854	$170,650
197,006	214,539	273,701	213,510	155,282	132,010	145,874
6,249	5,234	4,410	3,289	2,078	1,747	1,455
203,255	219,773	278,111	216,799	157,360	133,757	147,329
30,036	30,698	27,635	24,468	24,665	21,097	23,321
515	737	206	436	530	402	341
(354)	(580)	(891)	(397)	(5)		
30,197	30,855	26,950	24,507	25,190	21,499	23,662
16,520	15,470	14,190	13,750	15,598	9,992	9,438
13,677	15,385	12,760	10,757	9,592	11,507	14,224
(190)	(173)	(699)	(898)	(551)	(689)	(963)
			(50)		(500)	(650)
13,487	15,212	12,061	9,809	9,041	10,318	12,611
4,901	3,112	2,963	2,822	2,822	4,233	4,937
7,470	4,500	2,810	2,353			
12,371	7,612	5,773	5,175	2,822	4,233	4,937
1,116	7,600	6,288	4,634	6,219	6,085	7,674
67,618	60,018	53,730	49,096	42,877	36,792	29,118
2,250						
$ 70,984	$ 67,618	$ 60,018	$ 53,730	$ 49,096	$ 42,877	$ 36,792
$ 2.42	$ 2.73	$ 2.17	$ 1.76	$ 1.62	$ 1.85	$ 2.27
.88	.56	.53	.51	.51	.76	.89
21.06	19.11	16.94	15.30	14.05	12.93	11.84
12.9%	12.2%	9.0%	10.1%	13.6%	13.6%	13.7%
12.7%	16.1%	14.2%	12.5%	12.6%	15.7%	21.7%
$317,283	$192,199	$157,255	$227,563	$319,534	$257,957	$109,019
$213,456	$129,464	$187,736	$336,227	$349,931	$212,422	$109,319
77,787	74,083	70,555				
					705,558	
1,633,541	1,555,754	1,481,671	1,411,116	1,411,116	1,411,116	705,558

Facilities...

SALES OFFICES ARE LOCATED IN ALL PRINCIPAL CITIES

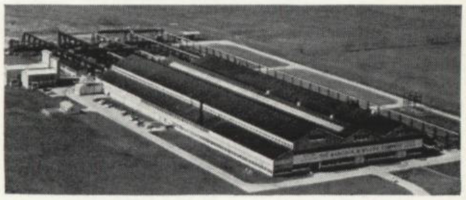

Barberton, Ohio —
Boiler Division


Barberton, Ohio —
Boiler Division
Headquarters Office Building


West Point, Mississippi —
Boiler Division

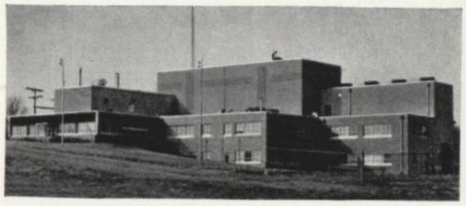
Brunswick, Georgia —
Boiler Division

Wilmington, North Carolina —
Boiler Division

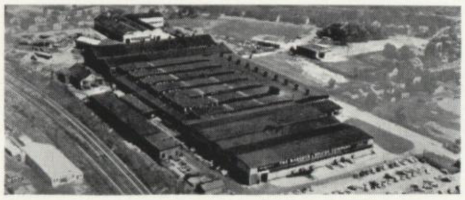

Paris, Texas —
Boiler Division

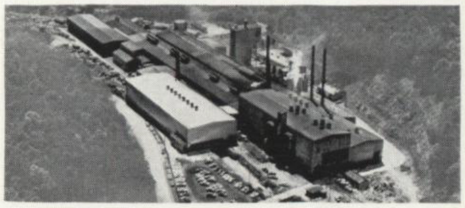
Alliance, Ohio —
Boiler Division

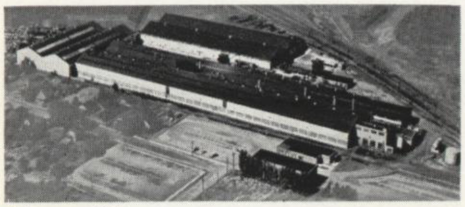
Lynchburg, Virginia —
Boiler Division

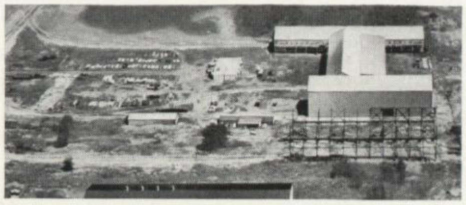

Lynchburg, Virginia —
Atomic Energy Division

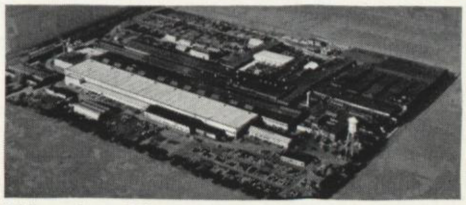
Beaver Falls, Pennsylvania —
Tubular Products Division


Beaver Falls, Pennsylvania —
Tubular Products Division


Beaver Falls, Pennsylvania —
Tubular Products Division
Steel Mill

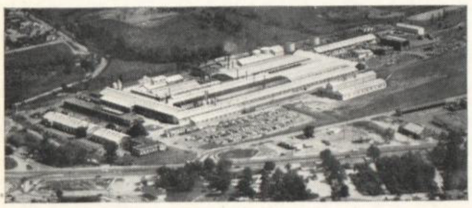

Alliance, Ohio —
Tubular Products Division


Koppel, Pennsylvania —
Tubular Products Division
Steel Mill Under Construction

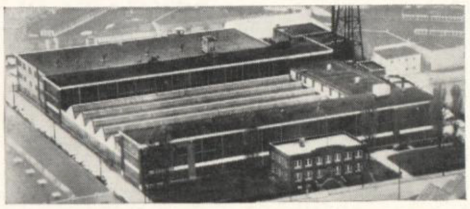

Milwaukee, Wisconsin —
Tubular Products Division

Printed in U.S.A.

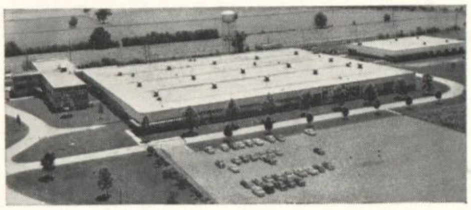
The Babcock & Wilcox Company



Augusta, Georgia –
Refractories Division



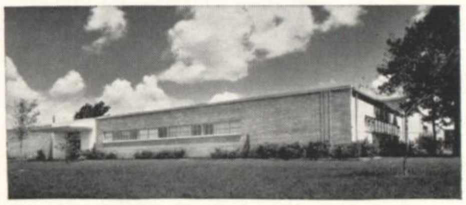
Cleveland, Ohio –
Bailey Meter Company



Lancaster, Ohio –
Diamond Power Specialty Corporation

Alliance, Ohio –
Research Center

Wickliffe, Ohio –
Bailey Meter Company



Houston, Texas –
A. M. Lockett & Company, Limited

...and Products

STEAM GENERATING EQUIPMENT

For Power, Industrial Process
 and Heating, and for Marine Service
 Water Tube Boilers
 Water Cooled Furnaces
 Superheaters and Reheaters
 Economizers and Airheaters
 Pulverized Coal Equipment
 Cyclone Furnaces, Stokers
 Oil, Gas and Multi-Fuel Burners
Metering and Control Apparatus
Power Plant Information Systems
 and Performance Monitors
Soot Blowing Systems and Water Gauges

TUBULAR PRODUCTS

Carbon, Alloy and Stainless Steel
 for Pressure and Mechanical Applications
 Seamless Tubes and Shapes
  Hot Finished, Turned, Cold-Drawn
  or Roto-Rocked
 Welded Tubes and Shapes
  from Hot-Rolled or Cold-Rolled Strip
 Extrusions – Tubular and Solid Shapes
 Seamless Welding Fittings

ATOMIC ENERGY

Complete Nuclear Power Systems
 and Components
 Reactors, Cores and Vessels
 Fuel Elements
 Heat Exchangers
 Controls and Instrumentation
Research and Test Reactors
Critical Experiments
Economic Studies

REFRACTORIES

For Furnaces and Heat Treating Processes
 Insulating Firebrick
 Special Firebrick
 Silicon Carbide
 Plastics, Mortars, Castables
  Ramming Mixes, Calcines

SPECIAL EQUIPMENT

Hollow Forgings
Alloy Castings
Pressure Vessels
Heat Exchangers
Automatic Process Control Systems
Recovery Process for the Pulp Industry
Pulverizers for Cement Materials
 Rock Products and Ores
Industrial (Closed Circuit) Television

The Babcock & Wilcox Company